

MAY 21 1926

LIBRARY

THE CREDIT WORLD

The Official Organ of the
**RETAIL CREDIT MEN'S
NATIONAL ASSOCIATION**
Incorporated

THE retail merchant who does not insist upon his credit manager attending the National Convention of the Retail Credit Men's National Association, at Los Angeles, August 10-11-12-13, is missing his greatest opportunity to develop efficiency in his credit department. Only by an exchange of knowledge can we make our education complete.

*Los Angeles—the Convention City
—Invites You*

VOLUME XIV
NUMBER IX



MAY
1926

*Our Convention Meets August 10-11-12-13, 1926
Make Your Reservations Now*

Keeping Your Promise!

KEEPING one's credit good means keeping promises good—for all credit is based on promises made and accepted in good faith. Pay according to your promises—that's the basis of credit.

Keep your credit record clear! Protect it and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

You Are Judged by Your Credit

YOUR credit record as shown on the books of your creditors, has a far-reaching effect on your life and affairs—it is the measuring line by which many people (and all prospective creditors) judge you.

Keep that record clear and it will help you in countless ways—in social and business life—in times of necessity and emergency.

Retail Credit Men's National Association
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Keep Your Credit Record Clear!

EVERY time you open a new account—every time you secure credit from any source, you have another opportunity to strengthen your reputation for prompt payment—to make your credit foundation secure.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
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Over Two Million Inserts Used By Our Members

During the past two years our members have used over two million of these Credit-Education Inserts, paving the way to a better understanding of credit.

You, too, Mr. Credit Grantor, will find them most effective in changing your "slow-pays" into prompt paying customers.

Twelve in the series—one for every month in the year. Enclose one with every "past due" statement—with every collection letter. Attractively printed in two colors. Diplomatically worded—even your most "touchy" customer can't take offense.

Order any combination you like

\$2.00 per thousand for single inserts

\$24.00 per thousand sets of twelve

Order from the National Office

Protecting Your Credit

NO ONE can protect your credit but you—no one else can destroy it for, always, your credit is what you make it. Your credit is one of your greatest assets—it deserves your highest protection.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
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Let Your Creditor Know!

WHEN you can't pay a bill on time, an explanation of your inability will go a long way towards protecting your credit. Your creditor wants to help you keep your credit good—help him to help you!

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

The Cash Value of Credit

"A GOOD NAME," said Solomon, "is rather to be chosen than great riches,"—and a good credit record is preferable to a bank account. In whose credit is good is never "broken"—he can get the money he needs, independent of money. Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

Good Credit Is An Asset!

A WELL-KEPT charge account is a convenience that grows with use. It does away with the inconvenience of carrying about large sums of money when shopping. It gives you from ten to thirty days to pay for your purchases—and it assures you of service at all times.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
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Credit Inspires Confidence

A CLEAR credit record inspires confidence in yourself—in your ability to do things—in the confidence of others! Keep your credit record clear and you can face the world with the confidence of achievement.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

Pay Promptly and Succeed!

PROMPT payment of bills is one of the cornerstones of success and a good credit record is the passport to financial independence. Make your credit record a "credit" to you—use it as a stepping-stone to bigger things.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

Your Credit Record Follows You!

KEEP your credit record good and you'll always have credit when and where you need it! Move to new points, travel in strange places and your credit record follows you—for good credit at home means good credit abroad.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

Faith—The Basis of Credit

FAITH in people—in their integrity—their honesty—this is the basis upon which all credit is built. A high credit rating is based, not so much on one's possessions as how he respects the faith reposed in him.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

How Credit is Established

GOOD intentions, valuable as they are, cannot build credit. Only by religiously living up to every agreement, discharging every obligation when due, is credit established. And only in that way can it be maintained.

Keep your credit record clear! Protect your credit and it will protect you!

Retail Credit Men's National Association
EXECUTIVE OFFICES 11 11 SAINT LOUIS

And at Mandel Brothers— 4-Point System Gets Results!

Read this Letter

Mandel Brothers

Chicago, Dec. 11, 1925.

OFFICE OF THE
CREDIT MANAGER

Mr. D. J. Woodlock,
Equitable Bldg.,
St. Louis, Mo.

Dear Mr. Woodlock:

Please send us at once
200 copies of letter #1 of the Four
Point Collection System.

We have just finished
all of the #1 letters in our second
book, and the results have been wonder-
ful. Out of 28 used by one of the men,
11 paid in full; 4 made partial payments;
11 wrote us making promises; one report-
ed a disputed item and to one we re-
ceived no response.

I think this is a wonder-
ful record.

Very truly yours,

MANDEL BROTHERS

Willis
Credit Manager

F37:ES

"Wonderful Results"

Says Mr. Willis

"Out of 28 letters used by one of the men,
11 paid in full; four made partial pay-
ments; 11 wrote us making promises; one
reported a disputed item; to one we receiv-
ed no response." See letter at left.

How About You?

When the 4-Point System gets such won-
derful results for Mandel Brothers, why
wouldn't it be a good system for you to
use?

Try this system on your delinquent ac-
counts. Backed by the power of this
nation-wide Association, it gets results—
as no other system can.

Try the 4-Point System At Our Risk

Buy it. Use it—according to instructions
—on 100 old accounts. If it doesn't collect
at least \$10.00 for you, we'll refund the
purchase price!

Price \$10.00 Postpaid

Retail Credit Men's
National Association

Equitable Bldg.

St. Louis

What It Contains

1. One hundred No. 1 Letters informing the debtor that his account has been reported to the National Association as unpaid and suggesting that he pay you—WITHIN TEN DAYS. All the letters are arranged so you can fill in your own name and address and a postscript instructs the debtor to make all payments DIRECT TO YOU.
2. Seventy-five No. 2 Letters. This letter demands immediate action from your debtor.
3. Fifty No. 3 Letters. No. 3 is a definite final notice that unless your account is paid in ten days, our attorneys will take action to collect your account.
4. Fifty Collection Forwarding Blanks. On these blanks you are to send to us (OR TO YOUR LOCAL BUREAU IF YOU PREFER) detailed information on such accounts as the letters fail to collect. These we immediately forward to our bureau in your locality (if we have one) or to our nearest bonded attorney who will make collection on the usual collection fee basis.

Other Material

A complete instruction sheet is included with every system. Also, a valuable appendix, check-full of important information, "Things the Credit Man Should Know." A complete digest of the laws of the various states, covering bankruptcy, garnishments, mortgages, judgments, exemptions, etc.

A convenient, easily accessible display of all forms commonly used in credit and collection procedure—including standard application blanks, lease or conditional sale contracts, chattel mortgages, bankruptcy "proof of debt" forms, etc.

Use this coupon

Retail Credit Men's National Ass'n
Equitable Building, St. Louis, Mo.

Enter my order for one complete R. C. M. N. A. 4-Point Collection System. Send bill for \$10.00 to the address below.

I agree to use the system according to instruction—on 100 accounts. If it fails to collect at least \$10.00 you are to refund purchase price.

Name _____

Title _____

Firm Name _____

Street Address _____

City _____ State _____

The Secretary's Page

Our Convention Programme

President Watson is anxious to have this year's Convention Programme confined to two or three of the most important features of present day credit granting and a thorough discussion of them so as to arrive at a definite policy. Amongst the subjects under consideration are: Cost of operating a Credit Department; Installment Selling; Creating a Community Credit Policy; Efficient handling of Collections; Up-to-Date Bookkeeping Systems.

It is our intention to have more "Open Forum" discussions than ever before and we are considerably handicapped by not knowing who will be present so that a particular topic can be assigned to delegates from each section.

We again ask those who are reasonably sure of attending the meeting to advise us at once and not wait until the last minute. Address your communication to D. J. Woodlock, Managing Director, Equitable Building, St. Louis, Mo.—and help us in the important work of preparing a programme of great educational value to all.

Thanks, Los Angeles

In the dedication of the April Issue of "Credit Columns", the official organ of the Retail Merchants Credit Association of Los Angeles, to the National Association the following beautiful sentiment from the pen of Mr. J. H. Van de Water appeared on the title page.

"To our National Association we dedicate this issue of our official publication, to the end that our readers may gain a better and clearer conception of what the Retail Credit Men's National Association is and does.

"As a child respects its father, we respect our parent body. We cherish the privilege of membership. We believe in its aims and policies. We believe in the fundamental principles upon which it is founded, and upon which it has endured. We believe our National is "right," and that as it is "right" so will it be mighty. To add to its dignity, promote its welfare, broaden the scope of its influence and power, and to honor those to whom just reward is due for the success it has attained—these are the purposes to which we pledge our devoted efforts.

"And for these reasons, we dedicate this issue of *Credit Columns* to our National Association."

Installments

There never has been a development of American business which has received so much attention as the growth of installment selling.

Every trade journal is still devoting much space to a discussion of the evils which will result from its over-development.

Economists, financiers, bankers, manufacturers and wholesalers have offered a hundred different suggestions for checking this class of sales.

Let us again emphasize two points we have endeavored to bring home to our members during the past few months.

First—Installment selling conducted upon sound credit policies with sufficient mark-up to take care of extended payments and these limited to a reasonable time, not extending beyond the depreciation period of the merchandise, with no competition among merchants as regards terms and positive refusal to sell anyone in excess of his ability to pay, is sound business, and creates increased turnover.

Second—There will be no unsound over-development, no abuse, and no hazardous financing if retail merchants and credit men will co-operate in an exchange of information and use the same care in opening installment accounts as they do open accounts.

It is the abuse, and not the use of the installment plan that is causing worry.
—D. J. Woodlock.

Memphis Again

The spirit of the retail credit men and women of Memphis is hard to beat. For years that city has led all other cities of its size in the number of National members and ranked among the five leaders of the country. However, these live, wide-awake credit grantors do not rest upon their laurels. They never quit working and during May will conduct an intensive membership campaign to bring in the few merchants who are not members. National Director Goldschmid, Past President Lawo and Past Director Lieberman are co-operating with the officers of the Local Association and Miss Margaret Ashley, Secretary of the Local is kept busy day and night looking after the various teams.

Large Attendance Assured

That our Los Angeles meeting will be the best attended of any convention appears an assured fact. Retail merchants and credit men from the West will be there over 1,000 strong and eastern and southern associations assure delegations of from five to fifty.

The Committee in charge of the Special Train being made up at St. Louis feel sure of 300 in their party.

This is an ideal Convention trip, an opportunity of a lifetime to see California and the West while mingling business with pleasure; and those who know our Los Angeles brothers are certain they are always a little bit ahead when it comes to doing things.

Blandford in New Business

Mr. Sidney E. Blandford, formerly Credit Manager of The R. H. White Company, Boston, has embarked in business on his own account. On May 3, he opened the offices of the Superior Finance Service, Inc., 38 Chauncy St., Boston, Massachusetts, where he will conduct a high class industrial loan business. Owing to his years of experience in handling retail credits, and the thousands of personal friends he has in and around Boston, it is expected the business will be a success from the start.

Mr. Blandford was a charter member of the Retail Credit Men's National Association, served one term as President, was on the Board of Directors for six years, and is now Chairman of the Finance Committee.

Why Don't Merchants Use Their Credit Bureau?

Our attention is called to a fellow who departed from an Indiana city, in which is located an excellent rating bureau, and he owed a total of \$886.64 divided as follows:

Men's Store	\$ 13.00
Hardware Store	94.49
Leather Store	75.00
Grocery Store	45.00
Furrier Store	70.00
Staty. & Office Supplies.....	\$ 40
Staty. & Office Supplies.....	50.00
Shoe Store	44.00
Men's Store	86.00
Dep't Store	33.75
Ladies' Ready to Wear	375.00

A dollar spent for a report will save many dollars from your P & L list. Why be penny wise and pound foolish?

(Additional Items on Page 4)



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THE CREDIT WORLD

Official Organ of the



RETAIL CREDIT MEN'S NATIONAL ASSOCIATION

Issued Monthly

DAVID J. WOODLOCK, *Editor*

Subscription: \$5.00 Per Year

Executive Offices, Equitable Building, St. Louis, Mo.

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EDITORIAL

What Kind of a Merchant Are You?

THIS editorial is addressed to every retailer in the land, and is inspired by the fact that the Retail Credit Men's National Association will hold its annual four-day Convention at Los Angeles, California, August 10-13, inclusive.

Each year, just before our Convention, we who spend months of preparation and days of intensive effort to make this annual gathering a real contribution to the development of standardized retail credit policies and more efficient Credit Managers, find ourselves confronted with a condition which we are at a loss to understand: *Our members, in order to attend the Convention, must do so during their vacation period and at their own expense.*

If this were a policy of small firms of limited capital, there might not be cause for comment. But it is the great retail establishments with unlimited resources who give this matter the least consideration—the same merchants who willingly donate large sums and much time to

all kinds of research and development work, yet cannot, or will not, spend a few dollars to promote the interests of better credit, and assist the men or women in charge of their Accounts Receivable Departments to absorb greater knowledge and learn the methods of others.

We ask you, Mr. Merchant: Is this giving your Credit Manager a square deal? Is it giving this organization, of which you are one of the owners (for we are a purely mutual merchant-owned organization) a square deal?

No matter what the expense may be in time or money, there never has been a case where a credit manager attended one of our National Conventions without coming home a better credit man, a more valuable employee, a greater asset to his firm.

Think it over, and not only permit, but instruct your Credit Manager to attend our Convention. Your firm will reap the returns in better credit service.

David J. Woodlock

The Secretary's Page

(Continued from Page 2)

Simplified Billing System Causes Complaint

The Emporium, San Francisco has discontinued the so-called simplified bill system, the working of which was explained in detail in the Credit World several months ago. After a thorough trial it was found impractical because of the number of requests for itemized statements and a general dissatisfaction on the part of the customers.

Texas State Meeting

The meeting of the Associated Retail Credit Men of Texas at Dallas, May 17-18-19, will be the best and largest attended of any State Meeting. Matters of interest to every retail merchant will be discussed and much time devoted to credit and the problems of the retail association secretary.

Leopold L. Meyer of Houston, National Vice President, Robert L. Stern of Dallas, State Chairman, and D. J. Woodlock of St. Louis, Managing Director, will represent the Retail Credit Men's National Association.

Reduced rates on all railroads for the Los Angeles Convention—make your reservations now.

Sparks Settled in Cincinnati

Howard C. Sparks, who left Detroit on April 1st, to become Cashier and Manager of the Cincinnati, Ohio, Morris Plan Bank, is now settled in his new position and immediately became very active in the Local Credit Men's Association. Mr. Sparks has had quite a rapid rise with the Morris Plan organization and is a Director of the Cincinnati Company. He is also a Director of the Retail Credit Men's National Association.

We Need Your Help

Each member is urged to help us make our exhibit of Credit Department forms at the National Convention complete. We urge you to send in samples of application blanks, collection forms, credit records, ledger sheets, etc., and particularly those used in connection with Installment Accounts. Send them to Mr. G. C. Lawrence, Chairman Form Committee, Coulter Dry Goods Company, Los Angeles, California.

Who Is Going?

If you expect to attend the National Convention at Los Angeles, we will appreciate a post card from you advising us of that fact. It will assist us in arranging our Group Conferences. Address D. J. Woodlock, Managing Director, Equitable Building, St. Louis, Mo.



Read these stickers—they carry money-getting messages

Use These Six Stickers On Your Statements —And Watch Collections Start!

Overdue accounts. . . . statement after statement. . . . accounts still unpaid. . . . you wonder what to do. . . .

But try this series of six stickers! Send a statement EVERY TEN DAYS. Attach sticker No. 1 to the first statement, No. 2 to the second, etc.—and watch the accounts pay up.

No bull-doing tactics—nothing to offend your customer—just a friendly reminder worked out in a perfect system keeping YOUR bill before your customer's memory.

Order the whole system—it only costs \$2.00 to try it out—then use it according to instructions for best results.

Six stickers to set as shown, printed in two colors—text emblem and inside border in black, wide outer border in bright blue. Packed 250 sets of six in strong envelopes, with full instructions for using.

—And they do collect. . . . That's why OVER TWO MILLIONS have been used by credit men to speed collections.

250 sets of six (1500 in all) \$2.00.

1000 of any one sticker \$2.00

Retail Credit Men's National Association

Equitable Bldg.

Saint Louis



THE CREDIT WORLD

May, 1926



Installment Credit as Viewed by a Furniture Man

By W. Slater

Credit Manager, Sterling & Welch, Cleveland, Ohio

Address Delivered at Tri-State Conference of R. C. M. N. A. at Detroit

"Deferred payments," "The Budget Plan" or just plain "Installments." A rose would smell and look just as sweet if we called it a cabbage.

Representing, as I do, a furniture house, deferred payments are with us. we cannot dodge them.

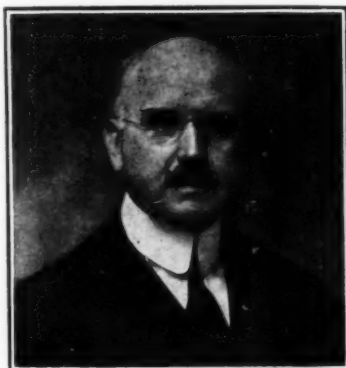
Today, everyone is talking and writing about the recklessness of the great American public in buying on the deferred payment plan, about mortgaging the future, and the inevitable smash that is due. For twenty-nine years I have waited to hear the "thud" but, gentlemen, I believe it will never happen. Deferred payments mean more business for the merchant, more comforts in the home, more opportunity for confidence in buyer and seller, and, if both keep faith, the result is that immeasurable asset, *Good-Will*.

Success depends upon administration, the judicious granting of credit on installments, or deferred payments, in a more dignified way. A dollar down and a dollar when you find it will soon be a thing of the past. This kind of credit granting brings the so-called installment houses into bad repute. "Ten per cent down and pay when you can" is a sure sign of grief. It encourages the shiftless individual to go into debt, debt which he cannot pay because he has not the ability to save. He cannot meet his payments, forced collection methods have to be resorted to, repossession and loss. This loss is not money only, but the house loses its prestige. Mr. "Shiftless Buyer" is held up as an unfortunate example, who has been shown no mercy by a heartless corporation and *Good-Will* goes a glimmering.

In many cases, where we have taken an account on an extremely small payment, this is the result, and because one or two particularly fortunate examples have paid out on a small down payment we pat ourselves on the back, throw out our chest, and think we are great credit

men, forgetting the grief of the many other cases.

Mr. Rodger W. Babson will tell you, this afternoon, that banking credit conditions, taking the country as a whole are very bad, owing to the great growth in the installment business which is hon-



W. SLATER

ey-combing the entire country. This means that a credit panic of large proportions will some day come again. It won't come this year, but competition in the wrong direction is the cause of many firms carrying a needless burden.

Picture yourself going to your bank for a loan. You have a house and lot worth \$10,000.00, which you wish to put up as security. It is a fixture which cannot be moved out of the country or county. You want a loan of \$9,000.00. Would you get it? Try it. The first loan I ever made at the bank I thought they were going to ask me to lay my heart on the table. They were shrewd enough to get my wife's signature on the same paper. She's the banker in this family.

At the present time, many deferred payment accounts are made on a ten per cent down payment and far less security than real estate. The point I

wish to make is, merchants in general should open deferred payment accounts on a more substantial footing. After many years of experience, much of our grief comes from our anxiety to increase sales by taking deferred payment accounts on less than what is our regular established down payment policy. We have always tried to get thirty-three and one-third per cent. On some conditions we have taken twenty-five per cent. At twenty-five per cent, we are close to the edge where a prompt and slow pay account can be determined, but to accept less, with promises of large monthly payments, is certainly courting fate. One thing is certain, you are taking on a slow pay account and the further you get away from a percentage of twenty-five, the more trouble you can expect in your deferred payment accounts.

Dunn and Bradstreet's report more business failures due to lack of capital than anything else. If retail credit men would analyze or compile statistics on the method of opening deferred payment accounts they would find the failure—(re-possession or collection by attorneys) due to the lack of capital (down payment).

In the furniture business, it is almost a scientific rule that if your percentage of down payment is less than twenty-five you are sure of a slow payment account and trouble. While, if down-payment is twenty-five per cent or more, you are running a good chance of getting more good accounts with a clientele whose patronage builds up good-will.

The deferred payment account in business is with us to stay, and it should be our business to place it on a dignified plane and safeguard it by insisting upon reasonable security. The value of deferred payments lies in the size of the down payment and we cannot dodge it.

Taking into consideration advantages and disadvantages of the several plans operated by retail merchants, much of the value of a deferred payment is

gauged by the intelligence with which credit on such accounts is extended. Investigation in all cases, references through local credit bureaus, in addition, personal interviews, together with complete interrogation on the earnability as well as payability of your customer.

It is detrimental to any sane business policy to promiscuously sell merchandise on some of the present methods of time payments. I refer to accounts merely opened because the applicant is able to obtain co-signatures to a note or because the applicant is merely able to make the down payment and is willing to give back a mortgage as security.

Desirable deferred payment business is always to be had, as in the past, without present high pressure methods and without burdening the consumer with expensive carrying charges. Where is the justification in the small merchant, or the wealthy merchant, who makes a profit passing an exorbitant usury to the consumer and relieving himself of all responsibility should the patron require co-operation by reason of adversity?

New schemes of installment selling are arising every day. A cursory glance at the advertising pages of magazines and newspapers is all that is needed to show the truth of this statement.

Many of these schemes are healthy modes of selling under proper conditions. Jewelry, furniture, sewing machines, books, washing, electric cooking and heating apparatus, typewriters, and bicycles are sold on the deferred payment basis. When these articles are household goods, they are often sold through public service corporations. Much of this kind of selling is valuable to family life.

The legitimate field for selling merchandise on the deferred payment plan should be confined to goods with a high re-possessable value. Talking machines, pianos, automobiles, are luxuries safe to sell on this plan. Years ago, piano accounts ran two or three years. Fortunately for the automobile business, due to its quicker depreciation, the installment is confined to twelve months. Clothing, linens and general merchandise whose re-possessable value is nil should be sold on the same cash basis as groceries and meats.

The reason why the installment habit has grown is because our sales managers are loaded with inventories, bargains from overloaded manufacturers, and they see in this new business a wonderful opportunity to unload. You heard Mr. Pattee speak about that yesterday, about his buyers. He was not interested in his buyers, he was interested in his sales. His buyers buy bargains and unload them on the unsuspecting consumer, because the credit men in their keen

anxiety to pursue the course, today, of increasing volume, take unnecessary chances. The result is competition in installment sales.

Credit is a priceless commodity which not every one can enjoy. If we, or our sales managers or our merchants try to force credit on people who are not entitled to it we may and will get some business. Truthfully, business is not always business unless sold on restricted high standards of merchandising and payments.

Our store's expenses mount from year to year, and, of course, sales volume must be increased and the public is expected to furnish the remedy. Deferred accounts, when properly opened and safeguarded, are easier to handle than regular accounts. You may easily set up a definite follow-up system and you have a definite contact with your customer by reason of his signed agreement. Collections on those properly deferred payment accounts are invariably good. The net loss is seldom sufficiently large to give us cause for worry.

The present installment selling has been well covered by a bulletin issued under the heading, "Billions of Installment Buying," by J. H. Tregoe, Executive Manager of the National Association, in "The Nation's Business." He states as follows:

"One of the healthiest signs of the times is the increased acceptance of the idea that installment buying based on future earnings of the individuals has gone too far. In the beginning of 1925, credit executives of wholesale manufacturing concerns and various industries were alive to the dangers of an over-expansion of credit. As early as March 4th, last year, directors of the National Association estimated that individual purchases of commodities on the installment plan would run as high as a billion a month and that this amount was too large to be wholesome."

Further, in the same bulletin, "When deferred payment schemes encourage extravagance and excessive mortgaging of income for immediate satisfaction, that are neither necessary nor important to proper living, they are a social as well as an economic danger." Credit cannot withstand these assaults without becoming infected. Today, there are a large number of finance companies operating throughout the country encouraging installment selling of commodities with no apparent purpose except that installment paper may be created, which they can discount at high rates. Last year, paint manufacturers proposed an ambitious scheme to promote the sale of paint by a wide extension of credit. The outcome was far from satisfactory. Today, banking interests of the country are righteously discouraging the excessive

activity of financing companies whose business is the handling of paper based on installment sales.

Where does the responsibility rest? It is unsound for one industry, namely, the automobile industry, in which every man takes pride, to absorb an undue amount of the credit of the nation's citizens. Would it not be bad business for the nation if one product should make such deep inroads upon current earnings that the clothing, provisions and construction industries should be starved?

Within the past year, the radio business has become a new factor in installment selling fields. This year, it is estimated the selling of radio sets will amount to four hundred million dollars. Another responsibility lies in the high grade advertising agencies who are able to put over million dollar budgets showing manufacturers how they can increase their output by the simple scheme of selling on this deferred payment.

The agency takes its fifteen per cent, and while our stock-selling friend, the broker, passes out of the picture, the manufacturer finds himself increasing production but the trouble comes when the goods so sold are not the kind that should be sold on deferred payments. Difficulties in collections occur and defaults in payments result in the piling up of stocks.

Fortunately for the established finance companies, they got together and organized the National Association of Finance Companies and at Chicago, last December, adopted the following resolutions:

"(A) On monthly installment paper covering used passenger cars, the minimum maturity of such paper shall not exceed twelve (12) months, payable in equal monthly installments.

"(B) On monthly installment paper covering new passenger cars, the minimum down payment by purchaser shall not be less than either one-third of the cash price or 30% of the time selling price at point of delivery, including accessories and equipment.

"(C) On monthly installment paper covering used passenger cars, the minimum down payment by purchaser shall not be less than either 40% of the cash or 37% of the time selling price at point of delivery, including accessories and equipment, with a maximum maturity of twelve months, payable in equal monthly installments.

"Without desiring to justify the abuse of credit, the automobile industry must vigorously use it and defend it against unwarranted attack. The whole business structure of the nation and our present standard of living are supported by credit, and principally by consumer credit. Credit to consumers and time payments are made operative by our

(Continued on page 18)

A Glimpse into the Operating Methods of the Merchants Service Bureau of Grand Rapids

By J. Frank Quinn

Manager Grand Rapids Service Bureau, Grand Rapids, Mich.

Regarding Merchants Service Bureau
By J. Frank Quinn, Mgr.
Grand Rapids Service Bureau

Very recently a widely experienced business man was quoted as saying in a public speech that "Credit is the chief ingredient in the recipe for success." This statement will bear analysis, for, admittedly on the intelligent use of credit with capital a minor element, vast fortunes have been built.

Statistics are frequently quoted to show that only 11% of the entire population of the United States live within their incomes. This fact has been brought home to the retail merchants of the United States with such force that there is a very general movement on foot to increase measures for protection.

First among these measures for protection is the merchant-controlled credit bureau,—a central office used as a credit reporting station, through which merchants and professional men of a community interchange their credit experiences. This is supported by annual

dues paid, usually, in a proper ratio with the number of demands made.

Merchant-controlled bureaus, as now efficiently operated, supplant the old order wherein a credit census of a community is taken annually, and the resulting credit ratings published in book form for the use of merchant subscribers. Considering the fact that several months are required to take such a census, which at best cannot be complete, and that it is necessary to take two or three additional months to compile, correct, and publish rating books, it can be readily realized that such publications are limited in service.

Commercial conditions have changed so rapidly in the last decade or two that the problem of intelligently extending credit in order to "keep the pace" has been continually active. A book published once each year could not conceivably record the change in credit conditions in the periods between publishing dates.

The modern merchants' co-operative credit reporting bureau is probably pre-

sented in Michigan at its highest point of efficiency. There are now operating, with additions being made every month, fifty of these bureaus welded together in a mutual non-profit state organization bearing the name *Associated Credit Bureaus of Michigan*.

The managers of these associated Michigan bureaus gather in meeting three times each year to spend two or three days intensively discussing the retail credit situation,—ways and means not only of protecting the merchant members but developing safe and sane procedures by which they may increase their credit business.

Between these fifty or more credit bureaus in the state of Michigan there is a law, unwritten but observed most fully, that any one bureau requesting credit information from another shall have immediate and preferred service, absolutely without charge unless expense be involved in investigation.

Detroit, Michigan, is the largest of the cities represented in the Associated Credit Bureaus of Michigan. Lake-



Machine band Wallace Cur Co. 6 months
 EMPLOYER formerly with Berkeley & Gay 1 year

Store	Kind	Date	Code	Am.	Bal.	Date	I.	Score	Date	Score	Date
114	PUM	4-26	B1S	500	250	4-26	X	2	2-22		
2	DEPT	4-26	B1	75			X	6	3-25		
100	JLY	4-26	B1	60			X	8	7-25		
200	CLO	4-26	B1	25			X	1	2-25		
302	CLO	4-26	B1	50			X	16	3-25		
506	DEPT	4-26	B1				X	20	4-26		

Ad. 400 VALLEY

Name DOE, JOHN

Date 4/10/26
 4/10/26

JOHN SMITH SUIT \$234.18
 C. R. AUTO SALES CT HUDSON \$500

INC 340 COSTS \$2.55

Written financial reports are summarized on other side of card for future reference.

view, with 1,000 population, is probably the smallest, but always, between the smallest and the largest, co-operation is complete.

He is a sharp credit crook who can move from one community to another in the state of Michigan and "get away with it" successfully for any length of time.

One of the best equipped and most efficient of the Associated Credit Bureaus of Michigan is the Merchants Service Bureau of Grand Rapids. This bureau, which is the credit clearance station of the local merchants and professional men, was inaugurated in the fall of 1921 by a comparatively few of the larger retail merchants of Grand Rapids, acquainted with the credit activities in other and larger cities. They took the initiative in financing the movement, and then, when ready to start credit reporting, invited all others in the city to join with them in the work, on a purely mutual basis.

The original members of the Bureau had made transcripts of their ledger credit experiences of the then recent past, and this information formed the basis for a splendid development. As this article is being written, there has

been a growth from sixteen to upward of five hundred members.

The Bureau's files carry the exact credit experience of nearly a quarter of a million individuals. The form reproduced is an illustration of the permanent record used.

The first column headed "Store" carries the number of the store that supplies the rating. The "Code" column shows the rating supplied; the next two columns, the amount of credit this store extends and the balance still due if an installment account. The "Date" column shows the date the information is obtained and the "I" column shows whether the account is active or inactive (A active—X inactive).

The right side of the card under the general heading "Inquiry Notes" shows what members have been supplied credit information on this particular individual and gives information for securing additional ratings some time in the future. Those stores who have called for credit ratings will themselves be called in the future to find out what their experience has been. This gives a means of keeping credit information up to date.

The flap of the card is folded under and carries all information such as courts suits, divorces, moonshine activities, and anything else that might affect credit standing. On the back of the entire card are written copies of any credit reports of special investigation that may be made on the individual.

With nearly five hundred merchants and professional men demanding credit information over the telephone from the Merchants Service Bureau, the demand aggregates approximately five hundred calls per day, and further, that the information demanded must in almost every instance be given while the caller waits, suggests that the Merchants Service Bureau must be equipped with the most modern conveniences in order to function satisfactorily.

The Merchants Service Bureau is one of the very few such organizations in the larger cities which attempts to give information immediately upon demand. But, this is the basis upon which the Bureau was instituted and speedy service has been continued.

The exacting information in the files of the Merchants Service Bureau offers to the subscribing member the actual credit experience of the person involved and does not rate the individual as "good," "bad," or "indifferent." The inquiring merchant is told the experiences in the Bureau's files, and he analyzes these experiences and makes his conclusions accordingly.

Immediate response to telephone inquiries for credit information is made possible in the Merchants Service Bureau by a huge battery of visible card files. These files receive the individual rating card and hold it in such relation to the other cards in the file that the name and address of the person rated may be read immediately as the drawer is pulled out.

The card holder in the file is so arranged that the card may be removed freely at will or replaced just as quickly—in some instances this is necessary where a typewritten entry is needed on the card. For all other information, removal of the card from its place in the file is unnecessary, because a lower drawer may be pulled out to form a rest and natural writing base.

The very great saving in time over the method wherein the card must be first looked for and then removed for the entry of information and later replaced, is obvious. It is this speed in entry, reference and reporting which permits the Merchants Service Bureau to sustain an average of one-half minute in answering credit inquiries made by its members. Without this advantage the time taken to make reports on

(Continued on page 23)

Safeguards and Controls for Installment Selling

By L. M. Crosthwaite

Credit Manager, Barker Bros., Los Angeles, Cal., and Director R. C. M. N. A.

In dealing with the subject of Installment Sales, we find the resulting effects touch every activity of business, beginning with production, distribution, consumption and financing. The ramifications cover such a wide scope that only a cursory analysis can be made in a few minutes. Bankers are not worrying about what has been done; their concern is to what extent the movement will grow, and what the reaction will be on business under varying economic conditions. Undoubtedly the banker has final control, and he must depend on the light of his past experience for guidance as to the future course to pursue. If we approach this subject with the mental attitude of an individual who prophesies business conditions from personal opinion only, then judgment will be prejudiced by the selfish individual standpoint, and will be colored in exact ratio as to whether we are pessimists or optimists. In a recent conversation with our President, Mr. Henry S. McKee, who is a member of the Advisory Federal Reserve Board at Washington, I asked him if a conclusion had been reached by the members of this Board, which is composed of twelve men acknowledged to be the most competent judges of the financial situation that could be obtained, being presidents of the largest banks in the country and prominent business executives. He stated that this matter was given long and careful consideration, but that the Board as a whole or its members as individuals did not feel that they were in a position to state a satisfactory conclusion or opinion because two interdependent elements were involved; first, the recognition of the laws of business relating to action and reaction as applied to certain facts as reflected by statistics gathered from a wide range. Only by applying these laws to facts as they exist will we get the final answer. Statistics at the present time are not available, but every effort is being made to get them by several organizations such as the National Association of Credit Men, the Retail Credit Men's National Association, and the American Banker's Association; and, until these are submitted, more definite conclusions cannot be drawn. In the meantime we must be guided as individuals and bankers by the simple

axioms of business in the light of our own peculiar conditions and experiences, and proceed conservatively in accordance with this experience. Hence in the remarks that I make I will attempt to draw no conclusions, but will quote freely from the experience of authorities holding entirely opposite views, leaving it to you to draw your own conclusions in your own line of business. But in order that nothing



L. M. CROSTHWAITE

that I say may be misunderstood, I will say that personally I am an optimist, having had the opportunity of being in contact with a large volume of installment business, transacted with all classes of consumers, and amounting to many millions of dollars a year, and from every angle it is entirely satisfactory and, I believe, profitable to the consumer, to the organization that I represent, and in no way embarrassing to the banks through which we refinance our accounts.

Permit me to quote at this point from one of the ablest business men in New York, who states that it is not the proper use, but the abuse of these systems that is causing apprehension. His opinion is that the emphasis of the criticism of those who fear results which may come from the unduly wide expansion of credit should be concentrated on the evil practice, and not on the whole principle. It takes two to make a bad bargain and both are to blame. His experience in credit leads him to the belief that the one who grants unwise credit is usually the one most to

be blamed, and this is especially true of sales on the partial payment plan. Where credit is used to sell goods, it seems to him that the remedy for evils that exist is in having a good credit manager, free from control of other branches of the organization, to act as a balance between the sales and financial departments, and thus assure proper and satisfactory ratios. In order that we may approach the subject properly and outline a basis from which to analyze, let us first ascertain the concrete facts in the case; and secondly, endeavor to apply to these facts the general local conditions, permitting each one of you to draw your own personal conclusion. Thirdly, after having obtained the material facts and conditions and applying the general laws of economics, this analysis is useless if we do not obtain the major points of control, observe at what points they rest, and in what manner and by whom they may be exercised.

It is an old saying that a contract is only as good as the credit of the contracting parties, and that is the reason that a five dollar bill of the United States is redeemable in five dollars of silver, but the same kind of a bill bearing the credit of other countries is subject to a liberal discount. Applying this theory to Installment Sales we will take as a basis of our analysis the contract that usually develops from the sale of merchandise on the installment basis. Of what is the contract composed? It is composed: first, of the promise of a consumer who, in consideration of certain merchandise that he has received, promises to pay a retailer a certain amount of money over a certain period of time. The question that now arises is: what is the value of the contract as a medium of refinancing of the retailer through his commercial banker, his investment banker, his jobber, wholesaler, or discount company?

We will first turn our attention to the man who signed the contract—the consumer. We immediately come to the old fundamental theory of credit: namely, the ratio of the individual himself as to his capital, his capacity, and his character. Secondly, what has he bought? Is it of an accumulative nature that will enable him to improve his financial statement, such as the acquisi-

tion of a home, its furnishings, or an automobile; or secondly, is it an expense item such as a tire for his automobile, food that he has consumed, clothes that he has worn out, or expensive jewelry for which he has no earthly use; or thirdly, is it of a purely speculative nature which may or may not result in an accumulation to him, such as real estate on a small payment down, which he hopes will increase in value; or stocks and bonds and other investments of a similar nature from which he hopes that he may realize a profit? It is an easy matter to draw fairly obvious conclusions in many of the fundamentals involved as to the consumer. If he is possessed of sufficient capital to maintain a reserve to protect himself against lapsed payments, and to maintain also an additional reserve to cover personal contingencies to which all humans are heirs, then we should have no concern. If, on the other hand, he has no capital but he has capacity and character, and he is obtaining merchandise that will result in an accumulation to him such as his home, automobile, or furnishings, and his commitments are not out of proportion to the probability of his continuing capacity, there is less question. But in the event that he has only capacity and character, and his capacity is dependent upon broad general conditions such as his employment and health, over which he has no control; and if he is buying merchandise of a perishable nature which really should be paid for from day to day such as expense items of clothes and jewelry; then the first danger point is reached because character, no matter of how high a type it may be, cannot be transformed into currency to pay an obligation in actual dollars and cents, if capacity and capital are absent. In other words the entire installment situation of our country today is composed of millions of individual transactions, and the situation is either healthful or unhealthy according to the percentage of these individual transactions that have been properly balanced and considered from the basis of the capital, capacity and character of the consumer in ratio to the commodity that has been purchased on the installment plan. I will go further into this matter when we come to the second step, the retailer who delivers this commodity to the consumer. The third phase of the consumer problem is, do we have a point of control with him? I believe not. We are all busy with our individual affairs, we all have desires, and the great mass of consumers are uneducated as to business methods, business principles, and the budgeting of their income and their outgo. Therefore, I believe that as long as the individual wishes to

gratify his desire for a commodity, whether it be one that should be classed as an expense, or whether it be a luxury or a speculation, and if he is able to obtain the gratification of that desire through a merchant, I believe that there is no way that the public as a mass can to any appreciable extent recognize the danger point of its own personal affairs. Regardless of what general or national propaganda might be used, it is a matter of long arduous education, and will be overbalanced in the great proportion of instances by the desire of the individual to do what he, himself personally, wishes to do, regardless of what the general effect upon business might be.

Let us now turn our attention to the retailer. *Mr. D. J. Woodlock, Secretary of the Retail Credit Men's National Association, states as follows:* "The retail merchant who competes on terms, encourages overbuying, and fails to analyze all credit risks individually, is the cause of all the worry about installment accounts, and for him there will be a day of reckoning. He creates a condition which undermines the very fundamentals of credit." So it is to him that we must first look to analyze the value of the piece of paper representing the transaction of installment sales, and upon him we must depend that certain fundamentals of credit have been recognized and adhered to. We must know that he is a man who knows the fundamentals of finances, as well as the ability to create a volume of sales at a fair profit to himself. He must be a man who is not willing to risk his business success upon the mirage of volume only. He must be a man who is unselfish enough to serve his customers to their best advantage, which is the requisite for any retailer's success. He must have the strength to make a decision on its merits, and must be content to compete on service, class of merchandise, and price; and not be drawn into competition of terms on an unprofitable basis to himself and an unfair basis to the customer. The danger of competition in terms between retailers may be quickly disposed of by asking your banker what happens to loans and discounts, when security is ignored in the fear that his competitor will make the loan if he doesn't. Some of our foremost economists have been calling to our attention and warning us for many months that the condition has reached the danger point, in that in former panics or in cycles of business depressions, that only jobbers, wholesalers and manufacturers were caught; but in the next credit panic, (and a tremendously big one it will be, they predict) we will find that the credit foundation of the country will be frozen

because of the fact that it will rest upon a myriad of individual credit transactions, the only security for which will be character because of the fact that the earning capacity of the individual has been taken away because of the depression in business from the standpoint of non-employment, etc. This will mean that the individual credits are frozen. A jobber, manufacturer, wholesaler, or retailer may be liquidated, but it is impossible to liquidate a large number of consumer accounts made by individuals who are really bankrupt because their earning capacity has been taken away. It is said that we can forecast the future from past events. You could easily visualize what the effect on the merchant with the small operating capital would be if he had the sales of many months past frozen up in Accounts Receivable that could not be liquidated. He faces either one of two issues: either obtaining additional capital to finance his business, and if he had sold perishable commodities this is his only recourse; and the other would be practically as bad, if he had placed a large inventory in the hands of consumers which was depreciating by ordinary use, and which he would be forced to replevin and return at a tremendous loss, instead of realizing a profit. Let us stop for a moment and analyze just what an installment sale means in terms of dollars and cents from a banker's standpoint. For instance, not quoting authentic ratios or mark-ups, suppose we bought \$100.00 worth of merchandise and suppose that it costs us \$80.00 for overhead, advertising, selling, etc., and that with the cost of \$180.00, the selling price was marked at \$200.00 or 100% of the invoice cost. If the customer paid \$25.00 down and continued to make monthly payments until a total of \$50.00 had been paid, what would this really mean in the terms of a loan? It means that the very best that we could expect would be to make a profit of \$20.00 on the transaction. At the time the merchandise was delivered we had actually loaned the customer, on a basis of a down payment of \$25.00, \$175.00 of our capital represented by the cost to us of the purchase of the goods, delivery, selling, advertising, etc., unless payments continue and the merchandise represents at all times a security equal to the unpaid balance. This brings us to the danger point of installment sales; namely, that if the consumer has no capital it is of the utmost importance that terms be so arranged, providing a sufficient deposit be obtained at the time of the drawing up of the contract to offset the depreciation that takes place automatically between the value

(Continued on page 14)

Present Day Credit

By Victor Comte

Credit Manager, The B. R. Baker Co., Toledo, Ohio

At no time in the past has good credit been so essential as at the present. We are in an era of a new standard of living. The most humble may now enjoy luxuries that were denied the most wealthy in times past. We have not as yet, however, been able to adjust ourselves to this new condition and, in the meantime, we are relying upon credit to take care of the situation. Credit, therefore, is being taxed to the limit.

The merchants, foreseeing this some years ago, began to organize bureaus throughout the country to meet this condition and as a result, we have today in all cities of importance and in many of the smaller communities, well organized bureaus for the purpose of gathering data on individuals seeking credit and conveying the information so gathered to the merchants. This is to the advantage both of the individual and the merchant. For without this information many good, honest, trustworthy, persons would be denied the accommodation to which they might justly be entitled and the merchants would in turn be deprived of the business.

The merchants of Toledo, some fifteen years ago, realizing the advantages to be gained by having a merchants' owned bureau, organized such a bureau.

It was started in a very modest way, with but a few members and from this humble beginning it has developed from year to year until at the present time it numbers in its membership practically every retail merchant of the city, as well as a number of banks and professional men. It is managed by a very able Secretary in the person of George C. Morrison; supervised by a Board of Directors consisting of active and practical credit men who know the requirements necessary for the successful granting of credit. Just recently, it has installed a private telephone exchange, a most modern equipment, which will further increase its efficiency and magnify its importance.

This general demand for credit has, however, brought about another condition. Many honest and well meaning people, but inexperienced in the credit line, have thoughtlessly or carelessly bought beyond their paying power and in time of misfortune find themselves unable to satisfy their creditors. Such

ones if not taken in hand by the merchants, and helped out of their temporary difficulty, will be forced to resort to the bankruptcy law and all will lose. The merchant will lose the account; the individual will lose his standing in the community and the impediment will be a menace to him no matter where he goes.

With all the inducements that are being offered the individual in the way of easy terms, etc., it is no wonder that some of them find themselves, in time of reverses especially, involved to such an extent that it becomes necessary for them to ask for more time than the merchant can afford to allow.

To take care of such emergencies, the merchants of Toledo have organized a Finance Company. This company is owned and controlled by practically the same merchants who own and control the Credit Bureau. In fact, it is operated in connection with the Bureau.

Fifty-one per cent of the Common Stock is owned by the Bureau. Thus the control, you will see, is vested in the Bureau. The finances are furnished by means of Preferred Stock which is sold to the merchants. The Board of Directors is composed of both merchants and active credit men, the latter being in the minority, just the opposite to the directorate of the Credit Bureau. All applications for loans are passed upon by a Finance Committee appointed by the President of the Company. The Manager of the Credit Bureau acts also as Manager of the Finance Company.

When an individual becomes delinquent in the payment of his accounts, whether it be due to sickness, death in the family, non-employment, or even careless or extravagant buying, he is asked to arrange for a loan to cover all his indebtedness except possibly those

(Continued on page 15)



Retail Credit Men's
National Association Convention
Los Angeles, August 10-13, 1926

Special Train
Leaving St. Louis 1:30 P. M. August 4th

visiting en route
Colorado Springs
Albuquerque, New Mexico
Grand Canyon National Park

Members' families and friends are cordially invited to join the party. For additional information, Pullman reservations, etc., call or address any Santa Fe representative or

C. N. Merriam
Chairman Transportation Committee
Associated Retail Credit Men and Credit Bureau of St. Louis
416 N. 4th St., St. Louis, Mo.

E. H. Dallas
District Passenger Agent
Santa Fe Railway
296 Arcade Bldg., St. Louis, Mo.

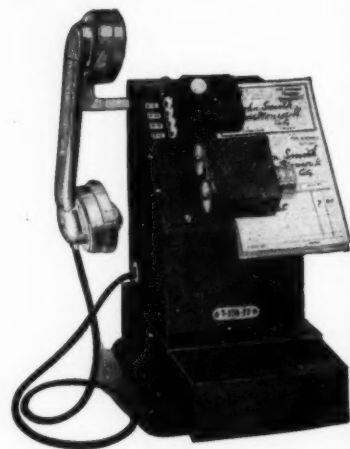
C.H. YEAGER COMA

Service with National



Sixteen hundred calls, a record for one day, were handled at an average speed of 30 seconds each in this store with the National "Charge Phone" System.

The charge slip never leaves the department. The salesperson simply inserts it in the charge phone where it is automatically O. K'd from the credit office.



THE NATIONAL CASH

MANY, Gives 30 second "Charge Phone" System

Two persons do authorizing which formerly required five

FASTER service with fewer authorizers is what The National "Charge Phone" System has accomplished in the C. H. Yeager Company's store at Akron, Ohio.

Formerly all charge slips were sent to the office to be O. K'd and customers were forced to wait until they were returned. With this new system customers often express their surprise when, after making a purchase, their package is handed to them without delay.

A one-day test showed that 1,600 calls were handled during that day at an average rate of 30 seconds each.

This is just another proof of quick service and low operating cost—the two factors upon which National Electric "Charge Phone" Systems are founded.

The C. H. Yeager Company also uses National Cash Registers, which assures customers of getting the same quick service on cash sales as on charges.

Our representative in your city or our
Department Store Division at Dayton will
be glad to give complete information about
the National "Charge Phone" System.

**CASH REGISTER COMPANY DAYTON,
OHIO**

Safeguards and Controls for Installment Selling

(Continued from page 10)

of new inventory and second-hand merchandise. Secondly, that the rate of payment of terms be arranged that will be sufficient to offset the depreciation of the commodity under ordinary use, because if this is not followed we are extending credit in wholesale volume on the element of character alone, which is not sufficient to withstand the strain should an area of general depression be reached.

Two distinct and opposite phases of the effect of installment sales should be considered. First, installment accounts and sales have enabled a great many laborers to become capitalists or owners of capital. It has enabled them to establish equities in properties, and has a tendency to keep them from being nomads, to make them become more contented, to give them an incentive not to become discontented at the least provocation, and thus to stabilize labor conditions. On the other hand, can you picture the situation if the great mass of labor in this country in industrial centers who have worked for years to establish equities in property, automobiles, etc.; who, through no fault of their own, but due only to broad general economic conditions over which they have no control, should be thrown out of employment and lose the equities that they had faithfully worked to establish? It would mean that they would not only be out of money for the purchase of food and shelter, but in addition to this they would be harassed and in debt for a long period of their future earnings, which they might never receive. I do not believe it is necessary to dwell on a picture of how complicated and how critical this situation would become under these conditions, or the injustice they would suffer. At this point I wish to quote different opinions as to the effect that installment sales cause in the depletion of the buying power of the consumer. This is true only as regards the particular manner in which the transaction is handled by the retailer. As an argument for installment sales I will simply state that authorities can prove conclusively that it is cheaper to sell a charge customer than a cash customer from an overhead expense basis. It enables an organization to balance their inventories, to anticipate their wants, to reduce their advertising, and to increase their volume to such an extent that the additional tax on a legitimate basis for terms is more than offset by the savings of a

credit house which does a large volume of business. There is no question but that installment sales have promoted the quantity production in a great many lines in this country, and that the price that the ordinary consumer has paid for the privilege of deferred payments has to a great extent been offset by the reduced price of the commodity that has been realized through quantity production. On the other hand, the system of installment buying has been condemned by certain labor leaders as a means of reducing materially the buying power of the laborer; but this again is caused through the abuse, rather than the legitimate use of refinancing practices by the retailer himself. At a recent convention of the National Retail Dry Goods Association, a vice-president of one of the large New York banks warned the convention that installment selling and inflated credits are threatening to convert the prosperity parade into a joy ride. He asserted that installment selling had developed at an enormous rate, and pointed out that more and more business is being based on the anticipation of future earning power instead of realized profit. He asked: "How long can we keep up this idea of glorifying the American income?" The truth is that many families are signing the dotted line and signing away their souls to the Economic Devil. This brings us back to the retailer and his responsibility as a party to this contract.

Now as to control: first, the retailer has control of terms. He has the opportunity to analyze the ability of the consumer to meet his contracts in relation to his capital, his capacity and his character. He has the opportunity of learning at first hand what other obligations he may have, and to advise and to serve the consumer as to an expenditure on the installment plan in accordance with the consumer's budget and prevent pyramiding. If contracts are given due consideration at the time they are drawn, it will be only a small percentage that will ever cause trouble. In too many instances, however, the retailer permits competition to enter into the transaction and looks upon the contract as a mere scrap of paper on which he can make an imaginary profit, and refinance his business through some source not conversant with the foundations of the contract as to security. Thus he not only sustains a loss for

himself, but adds an additional frozen credit to our already heavy burden. There is no automatic way through credit channels of controlling the individual credit transaction unless the merchant himself is conscientious and capable. Taking it for granted that the retailer is conscientious in the analysis of each individual transaction, and that he maintains proper terms as to deposits and length of the contract in order that the commodities will not be consumed before the contract is liquidated, and supposing that he is not drawn into competition until he is extending credits on installment sales on an unsound basis, we come to another point as to the management of the finances of his business, which is one of the most important duties of the retailer, and one in which he fails most frequently. Statistics of business failures in the United States, compiled by a national mercantile agency, show incompetence and lack of capital to be the causes of failure in 65% of all cases recorded. Incompetence and lack of capital are very broad general terms, having clear meaning it is true but too general to be of much value to a retailer who must study certain financial problems peculiar to installment selling. Many apparently prosperous businesses have failed because they did not perceive the difficulty of financing installment sales. This problem is twofold. The principal difficulty arises, as pointed out previously, that the seller must pay the entire cost of the goods which he sells shortly after he purchases it, and he does not receive the entire sales price until many months after the sale. In a new business, or in an old business that is rapidly expanding its sales, the cost of purchases will far exceed the receipts from installments and consequently the demand for capital will be very large. A second financial difficulty arises from the fact that it will always be impossible to collect the total installments due from customers, even though a careful scrutiny be exercised over the credit extended. The amount of working capital which a business should have will depend on the volume of business which is to be financed. Many retailers are drawn into the installment business with no conception of this, whatever. Let us suppose that a retailer launches into an installment business, and believes in the rosy stories that are told to him by advertising concerns who are interested only in a commission of gross volume; or from some discount company that is equally selfish in trying to show him how he may start in business with nothing and before long control the trade in his territory without capital, and let us see what a retailer of this nature who finds himself

(Continued on page 16)

Ft. Worth has Up-to-Date Bureau

One of the most up-to-date reporting bureaus in the country is that of the city of Fort Worth, Texas. It is owned and controlled by the merchants of the city, and is not expected to make any financial profit; and accordingly the members get the best service that can be given them, and at cost.

The telephone equipment is the latest model—turret multiple switchboard—direct wires from seventeen of the largest stores, and six trunk lines.

During 1925 it made more than 53,800 reports of individuals at a cost of 34.5 cents each. From present indications, this volume will be exceeded in 1926 by more than 25%, as it is averaging more than 200 reports daily during January, February and March.

The length of time required to give a merchant a report varies from instant service, where the card has been revised within 30 days, to 30 minutes, when a number of references have to be called and interviewed. But the average is less than five minutes. Information on out-of-town people; when there is nothing already in the files on them, is obtained by telephone, telegraph or by

mail, in accordance with the necessities of the case.

The work of the office is departmentized—operating, collection, correspondence and detective departments—all working in complete harmony and cooperation.

The force handling this business consists of five men and eleven girls—a part of the force being shown in the accompanying picture of the operating room.

Present Day Credit

(Continued from page 11)

debts that are secured, such as payments on a home, an automobile, etc.

The payments are arranged so that they can be met conveniently and without interference with current expenses. Each merchant who is to participate in the loan endorses the note, limiting his liability to the amount of his participation. The Finance Company is thus fully secured, while the merchant has not increased his liability beyond what he was already liable for. Besides, he gets immediate possession of money which otherwise he might be deprived of for a long time or would get it in

such small payments that it would make it very expensive to collect.

This is a service that is both beneficial to the merchant and individual and is almost indispensable in the granting of credit; for so long as we grant credit, we are going to have delinquent accounts which must be protected; and I know of no better or more honorable way of accomplishing this than through such a Finance Company.

We want it understood, however, that we do not advocate reckless or extravagant buying, but rather we are endeavoring to help those of honest intent who, because of misfortune or thoughtlessness, find themselves temporarily involved beyond their ability promptly to liquidate.

Rochester Elects New Officers

At its annual meeting on April 12, the Rochester (New York) Retail Credit Men's Assn. elected the following officers:

J. Gordon Ross, President.
c/o Rochester Gas & Elec. Co.
Perry R. Smith, Vice President.
H. B. Graves Company.
Miss Gertrude F. Rice, Secretary.
c/o Union Clothing Company.
Miss Janet W. A. Ritchie, Treas.
c/o McFarlin Clo. Co.



Operating Room—Reporting Bureau of Retail Merchants Association, Ft. Worth, Texas

Safeguards and Controls for Installment Selling

(Continued from page 14)

in this position will naturally turn to. The first reaction that is generally discernible is delinquent accounts to the wholesaler. When he finds that his receipts are falling far below the amount necessary to meet his bills on a discount basis with his wholesaler, he commences to ask for extensions. His excuses will generally continue until the point is brought to issue by his wholesaler. If the retailer is in a position to reorganize his business or to secure additional capital on a short term basis, he turns to his commercial banker, who can intelligently analyze his ratios and financial statement before it is too late, and he can be saved. But, if the merchant has been drawn into competition with unsound and unwise length of credit terms, it is beyond the pale of the commercial banker, because commercial loans should have a maturity within 90 days. The next recourse is to the investment banker on longer term paper. If he has contracts that represent credit transactions granted on an unwise or unsound basis, he has security of such a subnormal nature that he cannot obtain assistance from a legitimate investment banker. The next recourse, is to a discount company to whom he may sell his contract with or without recourse, with the attendant loss of profit according to the bargain he drives. The retailer with legitimate contracts can generally refinance his business on a conservative basis without undue loss. But, if on the other hand he has in his possession contracts in name only, it is only reasonable that he cannot dispose of them or refinance on them without the attendant loss. One of the acknowledged evils practiced in the refinancing of installment sales contracts is that it is done by people wholly ignorant of the responsibility of contracting parties, or value of the merchandise. Discounting should only be done in the localities where the name and the credit of the contracting parties are known, and not at foreign points where the contract is a mere scrap of paper and nothing else. This is the important point at which another control exists, and which is the ultimate control; that is, bankers should analyze very carefully the statements of their retailer customers, not only from the volume of receivables, but as to their quality, their turnover, and other ratios, for in many instances too large a volume is a liability rather than an asset, and capital must be balanced to meet the requirements. The banker should analyze his customer's business with a view to answering these questions: whom does he sell? does he sell perish-

able commodities in an industrial district, that is dependent for payments only upon continuance of employment? is he selling commodities which have been totally consumed before the contract is liquidated? It is the banker's responsibility to show to his customer by careful analysis of the statement, where the danger lies. The banker can exercise more control over the situation by educating the retailer, than money can do in general propaganda to the public. The next point of control within the banker's hands is that if his customer cannot become a borrower because of the condition of his receivables, and is forced into the hands of a discount company at an exorbitant rate, he can still maintain a control by refusing to finance discount companies who operate with subnormal contracts under wide margins of discount. I also consider the same rule applies regarding the analysis of wholesaler's statements by the banker because in many instances his receivables are in a frozen condition, represented by delinquent accounts of the retailer, which arises from the same motive of indirectly financing the retailer's unsound installment sales in competition in wholesale terms. I believe that one of the constructive responsibilities of the banker with his

broader vision of the business cycle and his knowledge of conditions and general trends, is to help both the retailer and the wholesaler and the jobber, or any of these men, who may be his client, point out the dangers of unsound individual credit, rather than to force them into the hands of illegitimate financing concerns, and then in turn refinance the discount companies; for if he does so, he is a party to, and indirectly responsible for, an unsound condition. There has been a great deal of controversy among retailers in that they say that some particular lines are appealing to the public on installment sales, and absorbing the earning capacity of the consumer, to their detriment. I do not believe that purchases can be diverted from one line of commodity to another simply through the medium of attractive terms. We must ever bear in mind that we are serving the public; that they will buy just about what they desire in the manner that they desire; and it is up to the retailer, wholesaler, and jobber to meet those requirements with the greatest degree of safety possible. In other words, if the demand is for automobiles I do not believe that offering to sell horse-drawn vehicles with nothing down and nothing for five years would stimulate the volume to any extent.



Collect Small Balances With Small Expense

Here's an inexpensive method for the collection of small balances. You know how costly and exasperating those small balances are! "Too small," the customer thinks, "too much bother to write a check for a few cents."

So you have to send statement after statement—your bookkeepers have to

carry these small balances over month after month—until the cost of collection exceeds their value!

Make it easy for your customers to pay small amounts—send one of these reminder-envelopes with each small balance statement and eliminate collection worry.

Price \$4.75 per 1000

Order from the National Office

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The President's Message

Our Membership Campaign

Membership campaigns are often dry, drab, spiritless affairs. Most men will tackle most any job more willingly than they will try to get a member for any organization. In the face of that, last month I launched a membership campaign. My "Message" was the opening gun.

Believing a definite objective was an incentive to effort, I set out for the future a program—one in the minds of all your officers—one I knew worthy a real effort to attain. I told you, truly, that unless our resources were increased before July 15th 1926, that attainment must wait or be but partially realized. Nor have I stopped with that appeal to my fellow members. Every Service Division member—there are nearly 700 of them—has been asked by personal letter to produce ten new National members before the date set.

This campaign does not arise from our having failed to grow during the year. In fact, we have enrolled more than 3000 new members since June first last, offset however by many cancellations. We have made a noteworthy *net gain* and this gain is monthly mounting higher. We shall end the year stronger than before.

But in our everyday business we have ambition. Each day we strive to outdo the previous day. Continually we compare present with past accomplishment, and our own accomplishment with that of others. Therefore we shall not be satisfied merely to gain. We want big gains *that our Association may the better serve us, our firms, and our communities.* Nor shall we fail!

If for each member to get a new member seems a task not worth while, then we have failed to appreciate this National of ours. If we fail thus to appreciate, it is because we have closed our eyes and ears. We have failed to realize the changed conditions of credit granting, and failed to visualize the future. For our National *has* accomplished. Merchants everywhere are more prosperous than if our National had not been born. Our communities are more thrifty, business is more pleasant, and on a higher plane; *you, Mr. Credit Man, stand in your community in dignity and respect, because of our National.*

Yet our problems are not solved. New ones constantly arise. With in-

creasing impetus business forces new knowledge and new decisions. On us each is increasing responsibility. To meet it we need help.

We must help one another, and woe be to the man who refuses to share of his store of knowledge; to lend of his vitality and energy; to give of his personality and of his leadership; for he shall remain in outer darkness, forsaken, and forgotten. Meanwhile we shall see



RALPH W. WATSON

again and again the work of the ancient law "to him who hath shall be given," for the more we give of our resources, the more shall we share the collective resources of our kind. We shall *give* of the knowledge of an individual, but *choose* of the knowledge of a nation.

Sometime—s o m e o n e—solicited me and my firm to join our National. Sometime—someone—solicited you also. Today, both you and I are grateful. It was a service to us, done probably from a sense of duty and with the same reluctance one often feels when asked to "get a member." But you and I are grateful now, and doubtless we have paid for the service by our cooperation. Let us then repay that service more fully by adding to the scope of that cooperation. Let us each get *another* member.

Out here in the Golden West, we have not yet outlived the memory of the pioneer days, when cooperation meant the very lives of our fathers and their families. Men yet live here who crossed the plains and the mountains in covered

wagons. My own grandfather, only lately gathered to his ancestors, lived among and taught the Indians the ways of civilization. My mother played with Indian children, and went to school with them. In those days there were no railroads here—only by community effort could the comforts of life be possible. Necessity taught cooperation and confidence. He who violated the Golden Rule was an outcast—dangerous—a menace.

Necessity today teaches cooperation and confidence, everywhere in America. Never in all history did the Golden Rule mean so much. It is the gauge of all business. Today, in the East and in the West, in the North and in the South, we increasingly need the man of action, the man of vision, the man of sacrifice, the leader to teach—by precept and by example—cooperation and confidence, observance every day of the Golden Rule.

As a retail credit man, can one do better than to bring into this great and growing Association, his fellow merchant who can both give and get the benefits thereof? Is it not a plain duty, ours to perform?

And after all, isn't it a joy—not a burden—and when we have each done our share, won't we be pleased and happy?

Already, from our Service Division members, are coming hearty responses to my letters. "We will!" they cry—"We will get ten new members!"

So, Mr. Local Association President, won't you now organize your forces? Yours is the responsibility of leadership. Perhaps someone is waiting for you to start things. Won't you contribute to the accomplishment of your local and the National too, by an instant answer to this call:

You, Mr. Merchant, in a city with no local association; won't you sign up at least one new National member in your community that you may have help?

You credit men in Washington, in Oregon, in California; in Montana, Michigan, New York, and Pennsylvania; in Maryland, Ohio, Illinois, Colorado, and Utah; this year—only a short time since—I visited with you! To you I took the story of our National; I told you its accomplishments,

(Continued on p. 21)

Installment Credit as Viewed By a Furniture Man

(Continued from page 6)

finance companies, re-discounting through our banks and trust companies, which, normally, supply commercial credits. Combined, these financial institutions comprise the greatest banking system ever created, and supply machinery for the conduct of business and credit which is a marvel of efficiency and effectiveness. Manufacturers, merchants and financiers fully realize, as never before, that the wheels of business cannot be kept turning on a broad scale without mass consumption. That credit must be available to consumers, as well as to producers, and distributors of the products of industry and agriculture. Mass consumption is necessary to support mass production and high wages, and mass credit is the Atlas which holds up all of them. The United States is primarily an industrial country. Our citizens who live in the great industrial regions north of the Ohio and Potomac rivers prosper when the automobile plants are operating and suffer when they are not."

What is certain, is that thoughtful minds regard the present financial situation of installment paper as unsound.

Nobody supposes that the automobile selling industry wants to resort, consciously, to an unsound system of finance, or to allow itself to become involved with unliquid loans which, under given conditions, it could not collect from customers and, hence, could not pay banks that have advanced the money. The present state of affairs has grown up without very much thought, largely as the result of opportunity and circumstances.

1. Insist that all buyers of automobiles shall make a more substantial first payment.

2. Limit, instead of extending, the maturity of the paper.

3. Refuse to sell automobiles to buyers, unless a satisfactory survey of their credit standing indicates that they will be able to settle without the necessity of the dealer's or finance company's "re-possessing" the automobile.

4. Keep careful supervision of dealers, and so far as possible, let the financing be done by expert concerns affiliated with the manufacturing side of the industry.

Francis H. Sisson, Vice-President of the Guaranty Trust Company, of New York, is opposed to all forms of installment buying, because such a system induces the consumer to buy more than he needs, thus causing over production, which is generally a forerunner of a period of depression. Mr. Sisson explained, however, that since so many

lines of industry are offering installment schemes, there is no sound reason why the retail clothier should refrain from seeking to build up business on such a basis.

Bankers, according to Mr. Sisson, are largely to blame for the growth of the installment system of payments, because it is with the banks' money that the installment game is played. He explained that the institution he represents lends millions of dollars, annually, to the General Motors Company, but pointed out that, while his bank may deplore the installment system of buying, it cannot turn down profitable business from customers of unquestionable resources and security.

Quoting from a comprehensive bulletin sent out by the directors of the National Association of Credit under date of March 4th, 1925, the explanation is made that, owing to the intensive selling methods employed, there has never been a time when the ultimate consumer has pledged so large a part of his income, or pledged it so far ahead for current purchases. A greater proportion of goods of all kinds have been sold but not paid for than at any previous time.

The consumer is literally carrying the inventory and borrowing heavily to do so. In the event of any decline in prosperity the recovery will never be so rapid, as much of the future earning power has already been pledged and it will be necessary to wait until the earning power could be engendered. Unquestionably, the installment plan has resulted in higher standards of living for the American public and an increase in special production. The danger lies in a too generous use of these credit facilities which, in time of panic, would result in an inability to meet maturing obligations. The temptation under installment buying is to purchase beyond the power to liquidate, and at higher prices than those regularly prevailing.

The solution of the problem is one of wise restraint in the use of a legitimate business function. If the installment plan is to serve both industry and the consumer, the American public must be guided by sound banking judgment. The credit men and finance companies must be guided by sound banking principles in the extension of their credit.

The writer of the "Daily News Record" of October 21, 1925, in discussing the economic and social effects of selling garments on deferred payments said, "Economists, however, differ sharply with this point of view, and declare that the consumer is likely to buy a suit out of proportion to his income, and is also likely to buy more than his circumstances warrant. Thus he gets back to the original argument of 'loading' the

consumer with merchandise the consumer doesn't really need."

An advertiser who is opposed to installment sales placed the following advertisement in the New York newspapers: "BUY FOR CASH AND INSURE YOUR FUTURE."

Only those who buy for cash and keep out of debt may truly say, with Henley: "I am the master of my fate; I am the captain of my soul." Imagine a salary of six dollars a day struggling to span the insistent demands of installment payments aggregating a hundred and fifty dollars a month, or more! What if the family head loses his job? What if a loved one falls ill? The man who mortgages his future earnings by buying on the installment plan, surrenders his independence; he places his head in a noose.

Many individual instances could be cited and you all have had individual experiences showing the good and bad effects of deferred payments. Recently, an official of a labor union made public a report of his study of the effect of installment business on the wage earner. Wage earners were heavily in debt for installment plan commodities that they really did not need. This man maintained that the blame lay, first, upon overly aggressive salesmen, and second, the wage earners' wives. The wives often decided the purchases and signed the contracts.

Installment buying has taken a definite place in the country's business. The average individual who wants a thing will commit himself far more readily to twelve monthly installments of nine dollars than to a cash payment of one hundred dollars. The fulfillment of human desire is easily persuaded. There is no question but the frequent abuse of the opportunity or lack of judgment often caused domestic calamities. Good wages cannot add greatly to the wage earner's happiness if he persists in getting into unnecessary debts.

The improper use of credit is bad for business, just as forced selling is bad for business. Deferred payments are improperly used when applied to something that will disappear quickly, possibly before paid for. It is improperly used when it places an unbearable burden on the man who signs on the dotted line. Credit has contributed enormously to individual progress. The mortgaging of the future for the opportunities of the present has made innumerable opportunities possible that lead to happiness and fortune. Going into debt for something worth while has compelled many a person to abandon extravagance in order to keep up their payments.

Summing up the value of deferred payments:

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First: the size of the down payment.

Second: The investigation made by the credit man as to the earnability, as well as payability, and the obligations of the customer at the time; and this is the most delicate situation which confronts every credit man.

Third: The nature of the merchandise, its legitimate re-possessable value at any stage of the time of payment.

Fourth: Any fixed asset may be purchased by the individual on the deferred basis to advantage. Your commitment for this class of deferred payments may often prevent other unwise expenditures. The prevailing system of passing all the load to the ultimate consumer should be curtailed and limited. Picture any business, today, which would permit an additional load of fifteen to twenty-five per cent on present overhead. The consumer can no more stand it than can the merchant.

Louisville, Kentucky, Association Increases Membership

The Retail Merchants Credit Association of Louisville, Kentucky, which is 100% National in membership, has organized a drive for 100 new members and expects to report at our National Convention with a membership of 200.

This Association is one of the oldest organizations of retail credit grantors in the country, having been chartered on October 15, 1907. It has always been very aggressive; a removal ordinance, a bad check law, thrift essay contests, "pay promptly" campaigns, uniform application blanks, and the development of an efficient reporting bureau being some of its recent accomplishments.

At the meeting held April 27, Managing Director of the National Association, D. J. Woodlock spoke on "The Use and Abuse of Retail Credit."

Frisco Has Annual Dinner Dance

The Associated Retail Credit Men of San Francisco held their Annual Dinner Dance on April 15, in the Gold Ball Room of the Fairmont Hotel. The Menu Card, printed on a yellow and gold linen napkin, was a unique and attractive feature. An excellent vaudeville programme followed the dinner and the "cares that infest the day" were forgotten.

Houston Out for New Members

The Retail Credit Men's Association of Houston, Texas, has started a campaign for new members. Under the inspiration of National Director L. L. Meyer, every member has been drafted on the membership committee and it is expected that fifty new members will be enrolled before July first.



Your Magazine Is Worth Saving!

Save each issue of the Credit World. Use it for reference when you want credit information. It is the only authoritative source of information on retail credits.

With this handy binder you can build a credit reference file—with any issue of the Credit World at your finger tips.

Durably bound in gray canvas it is equipped with handy strip fasteners which do not cut or mar the magazines. No punching necessary—no trouble to insert magazines or remove them.

The Supply is Limited—Get Yours Today

While They Last—\$1.00 Postpaid

Retail Credit Men's National Association

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Retail Credit Men's National Association

Los Angeles—August 10-11-12-13, 1926

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GENERAL CONVENTION COMMITTEE RETAIL MERCHANTS CREDIT ASSN
LOS ANGELES CALIF

DURING MY RECENT TOUR I VISITED NEARLY FORTY CITIES FROM
DETROIT ON THE NORTH TO NEW YORK ON THE EAST STOP AND BALTIMORE AND
WASHINGTON ON THE SOUTH STOP EVERYWHERE OUR NATIONAL MEMBERS ARE LOOKING
TOWARD LOS ANGELES WITH LONGING EYES STOP THE LURE OF THE GOLDEN WEST
HAS THE SAME APPEAL TO VIRILE MANHOOD AND WOMANHOOD AS IN THE
DAYS OF FORTY NINE STOP IT IS A NEW WORLD TO THE MAJORITY AND I AM
SURE THE ATTENDANCE AT THE AUGUST CONVENTION WILL BE A
PLEASANT SURPRISE STOP IN NOVELTY IN EDUCATIONAL VALUE IN SCOPE
AND IN OPPORTUNITY TO KNOW AMERICA THIS COMING CONVENTION SHOULD
LIVE LONG IN THE ANNALS OF OUR NATIONAL

R W WATSON

This is going to be the greatest of all National gatherings!
Make your reservations now—and make us prove the assertion!

Delegates Will Be Housed In Seven Great Hotels

The 2500 Delegates who will attend the 14th Annual Convention of the Retail Credit Men's National Association, at Los Angeles August 10th to 13th, will be housed in these

Seven Great Hotels

HOTEL	1 PERSON IN A ROOM	2 PERSONS IN A ROOM
Ambassador.....	\$7.00 and \$8.00 per day	\$9.00 to \$10.00 per day
Alexandria.....	4.00 and 5.00 " "	6.00 to 8.00 " "
Biltmore... ..	5.00 to 8.00 " "	7.00 to 10.00 " "
Rosslyn.....	3.00 to 5.00 " "	4.00 to 6.00 " "
Hayward.....	3.00 to 5.00 " "	4.00 to 6.00 " "
Hollywood Plaza...	5.00 and 6.00 " "	8.00 and 9.00 " "
Stowell.....	2.00 to 4.00 " "	3.00 to 5.00 " "

Keep this list for future reference

These hotels have the approval of the Hotel Committee and were selected because of their accessibility to Convention Headquarters, efficient and courteous treatment and general reputation as first class hotels. In selecting your hotel please name a second choice.

Address all reservations or hotel inquiries to

W. W. WEIR, Hotel Committee

Retail Merchants Credit Association

10th Floor Sun Bldg. Los Angeles, Cal.



California Hay, Grain and Feed Dealers Have Right Idea of Credits

The following report of the Committee on Credits of the California Hay, Grain and Feed Dealers' Association, shows they realize the value of centralized credit information, and the futility of conducting a credit bureau for one particular line of business.

1. "That a formal credit organization of only feed dealers, involving a paid staff and a permanent headquarters is probably not justified at this time. Merchants Credit Associations now exist or are in the process of organization in nearly every community within the county, and in the general vicinity. The fact that those Associations as now functioning are unable to give the necessary data, does not indicate that they cannot be improved upon. A purely feed dealers' organization would lack the facilities to give a complete picture of a debtor's credit rating, as no other dealers would be represented, and the credit applicant's outside purchases in other trades would be unknown. Duplication of effort and expense would ensue.

2. "The committee suggests as a constructive plan to handle credits:

(a) That every individual dealer make a sincere effort to bring his credit term down to a thirty day basis, and keep it there.

(b) That every feed dealer in the district be asked to join his own local merchant credit association. By such action, if unanimous, all oversold accounts would at once become apparent through one or the other credit associations now functioning or organizing. Present facilities would take care of the credit information needed in this trade area at a minimum expense, besides giving a broader basis for credit information, arising from the reports available from all other lines of business in which the debtor had used his credit.

(c) That every dealer on becoming a member in his nearest credit association, turn in every questionable account over sixty days old, at once."

This is a State organization which was well represented by dealers from Modesto, Turlock, Stockton, Ripon, Escalon, Oakdale, Crows Landing and San Francisco, California.

Some Statistics About Installment Selling

The following are reliable figures regarding the Installment business of 1924. No doubt the 1925 figures will show increased volume and percentages in several lines.

	RETAIL VALUE		VALUE SOLD ON TIME PAYMENTS
1. Automobiles	\$2,910,082,505	75%	\$2,182,561,878
2. Washing Machines	88,000,000	75%	66,000,000
3. Vacuum Cleaners	69,000,000	65%	44,850,000
4. Phonographs	70,000,000	80%	56,000,000
5. Furniture		Approximately	765,000,000
6. Pianos	100,000,000	40%	40,000,000
7. Jewelry	400,000,000	25%	100,000,000
8. Radio	300,000,000	13%	39,000,000
	<u>\$3,937,082,505</u>		<u>\$3,293,411,878</u>

Something to See on Your Convention Trip



Paradise Inn, Ranier National Park. Nisqually Glacier and Mount Ranier in background. Paradise River and Valley in foreground

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What Does it Cost You to Carry Accounts on Your Books After the Date Due?

C. E. Steinkamp, Cincinnati, Ohio

The following chart is somewhat startling and emphasizes in a striking manner the importance of watching your collections percentages. It also emphasizes the importance of contributing to and receiving credit reports as to the "paying habits" of your customers.

TOTAL SALES

TRADING PERIOD IN DAYS	ORIG. INVEST. & NET PROFIT	MARKUP 40% OF COST ACCRU.	SELLING PR. 100% PROF.	GR. PRFT. 28.7% ON BASIS	OPRT. 25.9% OF MONTHLY	NT. PRFT. 2.8%	TERMS OF CR.	LOSS TO STORE
30	\$100.00	\$40.00	140.00	40.00	36.26	3.74	6 mo.	20.91
60	\$103.74	\$41.50	145.24	41.50	37.62	3.88	5 "	16.42
90	\$107.62	\$43.06	150.68	43.06	39.02	4.04	4 "	12.09
120	\$111.66	\$44.66	156.32	44.66	40.49	4.17	3 "	7.92
150	\$115.83	\$46.33	162.16	46.33	42.00	4.33	2 "	3.88
180	\$120.16	\$48.06	168.22	48.06	43.57	4.49	1 "	
Total 6 mo.	659.01	263.31	922.62	263.61	238.96	24.65		
6 mo. Acct.	100.00	40.00	140.00	40.00	36.26	3.74		
Loss to Store	559.01	223.61	782.62	223.61	202.70	20.91		

The above chart represents a hypothetical investment of \$100.00 in merchandise for re-sale. It does not include any investment in store fixtures, nor is any provision made for bank loans to finance the sale.

It will be noted from the above chart that the first sale which represents an investment of \$100.00 in merchandise and marked up 40% to give a gross profit of 28.7% on net sales, and which was paid within 30 days, returned a net profit of \$3.74. This profit of \$3.74 was re-invested in merchandise for re-sale, and at the end of six months, on the basis of monthly settlements, the stock turned six times with net profits amounting to \$24.65, or a return of 24.65% on the original investment.

On the other hand, if the account had been permitted to stand on the books for the 6 months period, the original investment would have been tied up for that period, with but one stock turn, and would have shown a potential loss of \$782.62 in Sales and \$20.91 in Net Profits, or a loss of 20.9% on the original investment.

Sayings of Great Credit Men

"Automatically"—A word made famous by Steve Talkes of Washington, D. C., during debate at Houston Convention. By actual count this word was used 4,721 times during the Convention.

"Prompt Pay—Good Credit"—a slogan originated by Colonel Franklin Blackstone, Pittsburg, Pa.

"Peace and Harmony"—a slogan adopted by Mr. LeRoy Pease of New York when elected President.

"Credit is the axle upon which all industry revolves"—a pet expression of E. B. Heller of St. Louis.

"D— H— ** ??? !!!"—Dave Ahl of Detroit, Michigan.

"The Garden of Eden was a wilderness compared to Los Angeles"—J. H. Van de Water, Los Angeles, Calif.

McMullen Active

National Director A. D. McMullen of Oklahoma City has spent several days in visiting various parts of his state organizing new associations of retail credit men, and has secured fifty new members for the National. Mac is a "Go-Getter."

What Nationality is the Most Honest?

An installment jeweler recently made a study of 3,000 accounts with a view to learning what nationality caused most collection worry. The figures show the percentage of each who became so delinquent as to require extra collection efforts.

American	20.1
Hebrews	27.6
Poles and Finns	20.1
Italians	38.7
Greeks	56.2
Colored	27.
Irish	23.1
Scotch	20.
German	19.
English and Canadian	19.
French	21.3
Russian	46.
Scandinavian	25.
Turks—Balkans	34.1

Two New Locals

Bessemer, Alabama, with 24 members.

Tampa, Florida, with 37 members.

The Merchants Service Bureau

(Continued from page 8)

inquiries would be such a handicap that it would be necessary to have considerably more experienced clerks working on the record to give the service that is now possible. This fact is well substantiated by the results of a survey recently made of bureaus in forty-four cities. This survey disclosed the fact that the Merchants Service Bureau of Grand Rapids was operating at a lower overhead expense and with fewer employees in proportion to the demands made upon it than any other bureau.

Saving in operating expense is an important item and very significant when it is possible to render accurate reports in the minimum of time.

Through the co-operation of the Michigan Bell Telephone officials with the management of the Merchants Service Bureau, the eighteen trunk lines used to serve members, by virtue of latest improvements, are made to operate at a maximum capacity. This installation embraces switchboard with signal lights to individual reporting stations, each of which is in charge of a skilled operator.

The results of this "credit clearing house" mean less loss to the merchant through bad accounts providing he handles the information given to him in an intelligent manner. It also is an incentive to the individual to keep his record clean because he knows that if he creates a poor record with one merchant, his chance for getting credit with another is very slight.

It is only through the hearty co-operation of the members that the bureau can operate successfully and when the importance of the information contained in the records of the bureau is fully realized by the merchant, he is very pleased to help to the fullest extent.

The co-operative credit Bureau has taken the guesswork out of retail credit authorization and made it possible for a merchant to base his individual credit decision on the evidence of the willingness or ability to pay. When this fact is more fully appreciated by merchants throughout the country, the credit bureau will be a common institution and the merchant will base his credit business on merits of each case, practically eliminating the greater hazards now confronting him.

The President's Message

(Continued from page 17)

its purposes, and its program. You said it was good—and that you would help! Then do your work *now*, for the time grows short. Do your work now, else we wait another whole year for what we might enjoy next year.

You of the East and of the West—of all America, who graciously and cordially expressed at Minneapolis your loyalty and pledged your help! Give it now, that we shall walk in the pride of accomplishment!

So, here's to success, my friends—here's to big things for next year—20,000 strong!

New York Elects

The following officers were elected at the Annual Meeting of the Associated Retail Credit Men of New York City:

Edward Thompson, President.

Arnold Kamm, Vice-President.

John M. Connolly, Secretary-General Manager.

Thomas H. Hunt, Treas., Chatham & Phenix National Bank & Trust Co.

Mr. Thompson plans considerable constructive work and the Association is now working on the inauguration of a collection bureau.

The following suggestions have been made:

A standard application blank so that customers applying personally may notice that each of the stores is using the same blank and so instill in their minds the thought that the different stores do co-operate.

Insisting each member wear a badge carrying his name and house, while he is present at regular meetings.

Also investigating the pre-authorizing system, by which stores assume that every charge is O. K. and then pull back from the delivery any which need be held.

Experienced Credit Manager

now employed wants to make a change. Fifteen years in Department Store Credits and Collections also Systems and Departmentising Control. Knows Merchandising.

Address G. G. B. care of Credit World.

Make Your Charge Customers Realize That Credit Is a Favor to Them

By Mark McGhee

Every merchant, especially the small town merchant, has his own troubles with charge accounts. This applies to all lines of business, to merchants who do practically a cash business, but who have among their customers quite a few people who have a charge account, and particularly to those who do an extensive credit business, with some cash business sprinkled in.

Just the other day, we received a letter from one of our subscribers who told us that he did an extensive credit business, but whenever he put out weekly specials which were to be sold only for cash, his credit customers would buy them and request that the items be charged. Which, as he said, was very unfair to him and to his cash customers as well.

He said he had 500 charge customers. Some of these paid their bills within a week. Others paid at the end of the month. But many—those who were causing trouble—were the customers who bought strictly on the installment plan, paying \$1 or \$2 each week, according to the amount of purchase. In nearly every instance these charge customers would buy the weekly specials which were to be sold for cash only, have them charged to their account, and make a payment whenever they felt like it.

It isn't the customer's fault, Mr. Merchant—it is your fault for not setting the customer right. You should formulate a credit plan, and then educate your customers, making it very clear to them that you expect all payments to be promptly made as agreed to. Then, if these customers fail to live up to the plan as they agreed to do, you should put on pressure to the end of collecting your money instead of making it easier for them to get deeper in debt by buying the weekly specials which are supposed to be sold only for cash, and then lamenting over the fact that the customer had taken undue advantage of you in this particular way.

What you need to do is to classify your credit customers and send to each class as often as once each month, a good letter, circular or folder, telling your customers of your plan, how each class of charge customers is handled and what is expected of them. In other words, sell them your service and do less selling of merchandise, for if you sell them service, your merchandise will sell itself.—*Atlantic Coast Merchant-Economist.*

Use These Electros

On your letterheads, bills and statements. Cuts below are actual size.



50c



50c



75c

Put the power and prestige of this Association behind your collection work.

Order from

National Office
Equitable Building
Saint Louis

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